



Arizona State Retirement System

3300 North Central Avenue, Phoenix, AZ 85012
WWW.AZASRS.GOV

FACT Sheet

Contacts:

AskMac@azasrs.gov
Phoenix (602) 240-2000
Tucson (520) 239-3100
Toll-Free (800) 621-3778

SERVICE PURCHASE & PAYROLL DEDUCTION AGREEMENTS

If you are an active, contributing member of the Arizona State Retirement System, or receiving a Long Term Disability benefit through the ASRS, you are entitled to purchase certain types of credited service to be applied toward your retirement benefit. Beginning July 1, 2010, a member must have five years of credited service before initiating a Service Purchase request except for previously forfeited service.

Types of service that may be purchased are: previously forfeited ASRS credited service; approved unpaid ASRS leaves of absence; military service, including National Guard and active military reserve time, and other public service employment, whether you participated in a retirement system while working or not.

Purchasing service may be advantageous because it has a direct impact on the amount of your pension benefit when you retire. Your pension benefit is calculated using the following formula: Total Credited Service x Graded Multiplier x Average Monthly Compensation. (The Graded Multiplier is a factor based on your total years of service at retirement and ranges from 2.10% to 2.30%.)

Costs

The Arizona State Retirement System uses the Actuarial Present Value method to calculate costs of providing future benefits. Actuarial Present Value is defined as the value of a benefit in terms of the amount of money the ASRS must have on hand today to pay for the benefit in the future, based upon actuarial assumptions used by the ASRS.

In applying this calculation method for service purchase costs, the ASRS determines the APV of the member's benefit including the purchased service, and the APV excluding the purchased service. The member pays the difference between these two values, thereby fully funding the additional benefit derived from the service purchase.

Factors used in the calculation include the member's age, annual compensation, years of service, and years of service requested to purchase. As a result, the cost of service purchase varies for each member.

Members are limited to a single active service purchase request for each of the categories of purchase (other public service, military service, forfeited service and leave of absence service) at a

time. This ensures that the correct number of years of service is factored into the APV formula at the time of purchase.

Payment Options

Once you decide to purchase service, you have several payment options. They are:

- After Tax Payment, made in a lump sum.
- Rollovers, either a full or partial payment from another qualified plan, such as a 401(k).
- Payroll Deduction, in which you enter into a contract with the ASRS and your employer to have an amount deducted from your paycheck for a certain period of time. Payroll Deduction Agreements are subject to interest, which is set at 8%, the ASRS earnings rate. Payroll Deduction Agreements are binding and cannot be suspended for any reason, other than termination of employment.

Helpful Tips

- An application and affidavit must be properly completed. An incomplete application or an inappropriate affidavit can delay the processing of your service purchase.
- Be sure to complete the proper affidavit. There are three types: If your former employer contributed to the ASRS (even if you did not) you should complete the *Affidavit of Public Service with an ASRS Employer*. If your former employer did not contribute to the ASRS, you should complete the *Affidavit of Other Public Service*. If you are purchasing military service, you should complete the *Affidavit of Military Service*. These forms can be found in the Forms section of the ASRS website.
- Be sure to submit documents or payment by prescribed deadlines. It is the member's responsibility to follow the instructions, properly complete the required forms, and initiate payments.
- If you need assistance, contact one of our Member Services representatives using the contact information above.

Note: The ASRS Service Purchase program is governed by A.R.S. §38-743. This fact sheet does not replace statutory and rule requirements. Arizona Revised Statutes and the Arizona Administrative Code, and federal codes of the IRS and Social Security Title 218, shall be final authority.